

ARC Funds Limited
Appendix 4D
Half-year report

1. Company details

Name of entity: ARC Funds Limited
ABN: 52 001 746 710
Reporting period: For the half-year ended 31 December 2025
Previous period: For the year ended 30 June 2025 and 31 December 2024

2. Results for announcement to the market

| | | | \$ |
|---|----|-----------|-------------|
| Revenues from ordinary activities | up | 508.0% to | 560,339 |
| Loss from ordinary activities after tax attributable to the owners of ARC Funds Limited | up | 160.9% to | (1,004,818) |
| Loss for the half-year attributable to the owners of ARC Funds Limited | up | 160.9% to | (1,004,818) |

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$1,004,818 (31 December 2024: \$385,150).

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | <u>1.83</u> | <u>0.46</u> |

4. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

5. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

6. Signed

Signed



James Jackson
Director

Date: 26 February 2026

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ARC Funds Limited

Trading as ARC FUNDS LIMITED AND CONTROLLED ENTITIES

ABN 52 001 746 710

Interim Report - 31 December 2025

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ARC Funds Limited
Directors' report
31 December 2025

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of ARC Funds Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2025.

Directors

The following persons were directors of ARC Funds Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

- James Jackson
- Harley Grosser
- Scott Beeton
- Matt Adams (appointed 5 January 2026)

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- Equity Investment - investment in funds management companies, securities, schemes and entities
- Funds Management and Financial Services - operation of a wholesale funds management business
- Fund Trustee - Australian Financial Service Licensing and Fund Trustee service to Investment Managers
- Platform Fees - investment platform through which investors self direct investment

Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Review of operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$1,004,818 (31 December 2024: \$385,150).

Managing Director's Update

First Half FY26

The first half of FY26 has been a period of continued execution for ARC Funds. We remain disciplined in pursuing our strategy of acquiring and growing cash flow positive businesses that strengthen and enhance our investment ecosystem for clients.

Financials

The statutory reported loss of \$1,014,823 does include a significant portion of non-cash and non-recurring items, being impairment on investments and share based payments to executives and a new board member. Deducting these items totalling \$479,368 brings the half year loss on a cash basis to be inline with our operating cash outflow of approximately \$600K and in line with our expectations.

The Term Deposit Shop (TTDS)

TTDS investment platform remains the core business of ARC Funds and continues to perform in line with expectations. Funds Under Administration (FUA) on the platform exceed \$530 million, with the business delivering ongoing profitable operations.

During the half, we were pleased to announce we had agreed to terms to acquire a further 10.99%. This transaction completed February with our ownership now at 74.48%. The additional 10.99% stake was acquired through the issue of ARC fully paid ordinary shares at 11.5 cents per share. This transaction was completed after balance date in February.

We have also conducted a review of the governance and management structure of TTDS and we have appointed John Powell, a seasoned fixed interest and banking executive, to the role of executive chairman to accelerate our growth ambitions.

The business continues to trade profitably and generates cash. We believe TTDS has significant growth opportunities ahead. Further investment into the platform will focus on enhancing technology, expanding distribution, and increasing both client numbers and Funds Under Administration (FUA).

Ausbiz TV Pty Ltd and Ausbiz Group Pty Ltd

On 5 November, ARC Funds announced the acquisition of convertible notes in Ausbiz Pty Ltd with a face value of \$2.15 million via the issue of new shares to the value of \$430,000. In January of this year, we announced the sale of these notes for \$500,000 cash, with the completion scheduled for 23 March 2026. The proceeds from this transaction will further strengthen our balance sheet and provide flexibility to pursue future growth opportunities.

Importantly, the sale of the convertible notes does not impact ARC Funds' strategic investment in Ausbiz Capital (26.35%) or any secured debt position held in Ausbiz Group Pty Ltd. These remain strategic investments, and we continue to actively work to maximise their value.

Corporate

In July 2025, the Company successfully completed a capital raise of \$750,000 in new equity at 10 cents per share, with a 1-for-1 unlisted 12-month option exercisable at 12.5 cents per share.

A further capital raise was completed in December 2025, raising \$737,500 at 11.5 cents per share, also with a 1-for-1 unlisted 12-month option exercisable at 11.5 cents (subject to shareholder approval).

We are grateful for the strong support shown by both existing and new shareholders. Their continued backing provides the capital foundation to execute our strategy with confidence.

Our cash position remains healthy, and our cost base well managed, to provide sufficient runway and capacity for future acquisitions.

Outlook

ARC Funds remains firmly focused on executing its growth strategy — acquiring and investing in growth-oriented, cash flow positive businesses that enhance our broader investment in the financial services and products ecosystem.

We remain disciplined, opportunistic, and committed to long-term value creation for shareholders.

Scott Beeton

**ARC Funds Limited
Directors' report
31 December 2025**

Significant changes in the state of affairs

There were significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial half-year

Subsequent to 31 December 2025, the Company entered into a binding Deed of Assignment dated 27 January 2026 for the sale of 2,150,000 convertible notes in Ausbiz TV Pty Ltd (face value \$1.00 per note) for total cash consideration of \$500,000.

The assignment will take effect on 23 March 2026.

Subsequent to balance date, the Company also agreed to acquire a further 10.99% interest in The Term Deposit Shop Pty Ltd (TTDS) from certain minority shareholders. Completion is expected to occur by 5 February 2026. Following completion, the Company's ownership interest in TTDS will increase from 63.49% to 74.48%. As consideration, the Company has issued 3,584,262 fully paid ordinary shares to the selling shareholders.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors



James Jackson
Director

26 February 2026

ARC FUNDS LIMITED
ABN 52 001 746 710
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ARC FUNDS LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of ARC Funds Ltd. As the lead partner for the review of the financial report of ARC Funds Ltd for the half-year ended 31 December 2025, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND
Partner
Dated: 26 February 2026

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| ADELAIDE | BRISBANE | DARWIN | MELBOURNE | PERTH | SYDNEY |
|---|---|--|---|---|---|
| Level 9 50 Pirie Street Adelaide SA 5000 +61 8 7093 8283 | Level 4 240 Queen Street Brisbane QLD 4000 +61 7 2111 7000 | Level 1 48-50 Smith Street Darwin NT 0800 +61 8 8943 0645 | Level 14 440 Collins Street Melbourne VIC 3000 +61 3 9820 6400 | Level 11 77 St Georges Tce Perth WA 6000 +61 8 6557 6200 | Level 40 2 Park Street Sydney NSW 2000 +61 2 9263 2600 |

Liability limited by a scheme approved under Professional Standards Legislation. Hall Chadwick (NSW) Pty Ltd ABN: 32 103 221 352

www.hallchadwick.com.au

ARC Funds Limited
Contents
31 December 2025

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General information

The financial statements cover ARC Funds Limited as a consolidated entity consisting of ARC Funds Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is ARC Funds Limited's functional and presentation currency.

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ARC Funds Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2025

| | Note | Consolidated December 2025 \$ | December 2024 \$ |
|--|------|--|------------------------|
| Revenue | 3 | 560,339 | 92,165 |
| Expenses | | | |
| Corporate and administration expense | 4 | (1,150,506) | (474,687) |
| Impairment loss of investments in associated accounted for using equity method | | (304,279) | - |
| Share of loss of investments in associates accounted for using equity method | | (67,781) | (20,597) |
| Finance costs | | (51,421) | - |
| Depreciation and amortisation expense | | (1,175) | (101) |
| Loss before income tax expense | | (1,014,823) | (403,220) |
| Income tax expense | | - | - |
| Loss after income tax expense for the half-year | | (1,014,823) | (403,220) |
| Other comprehensive income for the half-year, net of tax | | - | - |
| Total comprehensive income for the half-year | | <u>(1,014,823)</u> | <u>(403,220)</u> |
| Loss for the half-year is attributable to: | | | |
| Non-controlling interest | | (10,005) | (18,070) |
| Owners of ARC Funds Limited | | <u>(1,004,818)</u> | <u>(385,150)</u> |
| | | <u>(1,014,823)</u> | <u>(403,220)</u> |
| Total comprehensive income for the half-year is attributable to: | | | |
| Non-controlling interest | | (10,005) | (18,070) |
| Owners of ARC Funds Limited | | <u>(1,004,818)</u> | <u>(385,150)</u> |
| | | <u>(1,014,823)</u> | <u>(403,220)</u> |
| | | Cents | Cents |
| Basic earnings per share | | (1.68) | (0.97) |
| Diluted earnings per share | | (1.68) | (0.97) |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

ARC Funds Limited
Statement of financial position
As at 31 December 2025

| | | Consolidated | |
|--|-------------|----------------------|------------------|
| | Note | December 2025 | June 2025 |
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 1,069,955 | 289,778 |
| Financial assets | 6 | 826,900 | 420,346 |
| Trade and other receivables | | 97,580 | 145,214 |
| Other | | 138,522 | 9,102 |
| Total current assets | | 2,132,957 | 864,440 |
| Non-current assets | | | |
| Investments accounted for using the equity method | 7 | 389,267 | 761,327 |
| Property, plant & equipment | | 3,828 | 3,755 |
| Intangibles | | 753,220 | 753,220 |
| Total non-current assets | | 1,146,315 | 1,518,302 |
| Total assets | | 3,279,272 | 2,382,742 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 323,521 | 506,716 |
| Borrowings | 8 | 842,428 | 813,274 |
| Employee benefits | | 95,477 | 72,288 |
| Total current liabilities | | 1,261,426 | 1,392,278 |
| Total liabilities | | 1,261,426 | 1,392,278 |
| Net assets | | 2,017,846 | 990,464 |
| Equity | | | |
| Issued capital | 9 | 24,311,710 | 22,444,626 |
| Options reserves | 10 | 214,121 | 39,000 |
| Accumulated losses | | (22,438,829) | (21,434,011) |
| Equity attributable to the owners of ARC Funds Limited | | 2,087,002 | 1,049,615 |
| Non-controlling interest | | (69,156) | (59,151) |
| Total equity | | 2,017,846 | 990,464 |

The above statement of financial position should be read in conjunction with the accompanying notes

ARC Funds Limited
Statement of changes in equity
For the half-year ended 31 December 2025

| Consolidated | Issued capital \$ | Options Reserves \$ | Accumulated Losses \$ | Non-controlling interest \$ | Total equity \$ |
|--|-----------------------------|-------------------------------|---------------------------------|---------------------------------------|---------------------------|
| Balance at 1 July 2024 | 21,109,276 | 11,860 | (18,959,200) | (87,122) | 2,074,814 |
| Share placement | 692,521 | - | - | - | 692,521 |
| Share transaction costs | (39,358) | - | - | - | (39,358) |
| Options expensed during the year | - | 19,553 | - | - | 19,553 |
| Change due to additional acquisition of interest | - | - | (78,634) | 78,634 | - |
| Loss after income tax expense for the half-year | - | - | (385,150) | (18,070) | (403,220) |
| Balance at 31 December 2024 | <u>21,762,439</u> | <u>31,413</u> | <u>(19,422,984)</u> | <u>(26,558)</u> | <u>2,344,310</u> |

| Consolidated | Issued capital \$ | Reserves \$ | Accumulated Losses \$ | Non-controlling interest \$ | Total equity \$ |
|---|-----------------------------|-----------------------|---------------------------------|---------------------------------------|---------------------------|
| Balance at 1 July 2025 | 22,444,626 | 39,000 | (21,434,011) | (59,151) | 990,464 |
| Share placement | 1,880,827 | - | - | - | 1,880,827 |
| Share transaction costs | (13,743) | - | - | - | (13,743) |
| Options issued | - | 175,121 | - | - | 175,121 |
| Loss after income tax expense for the half-year | - | - | (1,004,818) | (10,005) | (1,014,823) |
| Balance at 31 December 2025 | <u>24,311,710</u> | <u>214,121</u> | <u>(22,438,829)</u> | <u>(69,156)</u> | <u>2,017,846</u> |

The above statement of changes in equity should be read in conjunction with the accompanying notes

ARC Funds Limited
Statement of cash flows
For the half-year ended 31 December 2025

For persons

| | Note | Consolidated | |
|---|------|---------------------------|---------------------------|
| | | 31 December 2025 \$ | 31 December 2024 \$ |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 406,984 | 53,037 |
| Payments to suppliers and employees (inclusive of GST) | | (960,654) | (322,389) |
| Interest received | | 4,354 | 29,228 |
| Interest and other finance costs paid | | (64,257) | (1,703) |
| | | <u>(613,573)</u> | <u>(241,827)</u> |
| Cash flows from investing activities | | | |
| Payment for purchase of subsidiary, net of cash acquired | | (230,000) | - |
| Payments for property, plant and equipment | | - | (4,655) |
| Investments | | (100,000) | (793,859) |
| Proceeds from term deposit | | 412,000 | 1,507,652 |
| | | <u>82,000</u> | <u>709,138</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 9 | 1,211,750 | 692,521 |
| Proceeds from borrowings | | 100,000 | - |
| Share issue transaction costs | | - | (39,358) |
| | | <u>1,311,750</u> | <u>653,163</u> |
| Net cash from financing activities | | | |
| Net increase in cash and cash equivalents | | 780,177 | 1,120,474 |
| Cash and cash equivalents at the beginning of the financial half-year | | 289,778 | 643,328 |
| | | <u>1,069,955</u> | <u>1,763,802</u> |
| Cash and cash equivalents at the end of the financial half-year | | | |

The above statement of cash flows should be read in conjunction with the accompanying notes

ARC Funds Limited
Notes to the financial statements
31 December 2025

Note 1. Material accounting policy information

These interim consolidated financial statements have been approved for issue by the Board of Directors of ARC Funds Limited on 26 February 2026.

These general purpose financial statements for the interim half-year reporting period ended 31 December 2025 have been prepared in accordance with Australian Accounting Standards AASB 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type of normally included in an annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2025 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act*.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

ARC Funds Limited is a publicly listed entity, incorporated and domiciled in Australia.

Going Concern

The financial statements have been prepared on the going concern basis, which assumes the continuity of operations and the realisation of assets and discharge of liabilities in the ordinary course of business.

As disclosed in the consolidated financial statements, the Group incurred a loss after tax of \$1,014,823 (2024: \$403,220) for the half-year ended December 2025 and generated a negative operating cash flow of \$613,573 (2024: \$241,827).

Capital raised during the period was deployed to acquire convertible notes in Ausbiz TV Pty Ltd (\$430k) and to advance loan funding to third parties (\$320k).

To support these investment and working capital activities, the Group completed capital raisings during the period totalling \$1,880,827.

The Directors have prepared 12-month forecasts considering current cash reserves, expected contributions from The Term Deposit Shop Pty Ltd, and access to future funding. On this basis, they believe the Group can continue as a going concern.

However, the Group remains reliant on shareholder support and capital markets. This represents a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Operating segments

The Economic Entity's activities have been divided into four specific segmental groups, operating in one geographical region, being Australia:

Funds management: the management of investment vehicles and provision of other funds management services.

Investment: investment in listed and unlisted Australian companies and securities.

Licence services: services provided by licenced entity.

Platform fees: fees and commissions derived from self-directed investment.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting principles adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

ARC Funds Limited
Notes to the financial statements
31 December 2025

Note 2. Operating segments (continued)

Operating segment information

| | Funds Management | Investments | Licence services | Platform services | Other | Total |
|---|---------------------|----------------|---------------------|----------------------|--------------------|--------------------|
| Consolidated - December 2025 | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | | |
| Sales | 33,346 | - | 30,000 | 294,056 | - | 357,402 |
| Interest Revenue | - | 93,859 | - | - | - | 93,859 |
| Total sales revenue | 33,346 | 93,859 | 30,000 | 294,056 | - | 451,261 |
| Other revenue | - | 109,078 | - | - | - | 109,078 |
| Total revenue | 33,346 | 202,937 | 30,000 | 294,056 | - | 560,339 |
| Expenses | | | | | | |
| Expenses other than finance and depreciation | - | - | - | - | (1,150,506) | (1,150,506) |
| Impairment of assets | - | - | - | - | (304,279) | (304,279) |
| Share of net profit/ (loss) accounted for using equity method | - | - | - | - | (67,781) | (67,781) |
| accounted for using equity Method | - | - | - | - | (51,421) | (51,421) |
| | - | - | - | - | (1,175) | (1,175) |
| Loss before income tax expense | - | - | - | - | (1,575,162) | (1,014,823) |
| Income tax expense | | | | | | - |
| Loss after income tax expense | | | | | | (1,014,823) |

| | Funds Management | Investments | Licence services | Platform services | Other | Total |
|---|---------------------|---------------|---------------------|----------------------|------------------|------------------|
| Consolidated - December 2024 | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | | |
| Sales | 41,937 | - | 21,000 | - | - | 62,937 |
| Interest revenue | - | 29,228 | - | - | - | 29,228 |
| Total sales revenue | 41,937 | 29,228 | 21,000 | - | - | 92,165 |
| Total revenue | 41,937 | 29,228 | 21,000 | - | - | 92,165 |
| Expenses | | | | | | |
| Expenses other than finance and depreciation | - | - | - | - | (472,727) | (472,727) |
| Share of net profit/ (loss) accounted for using equity Method | (20,597) | - | - | - | - | (20,597) |
| Depreciation | - | - | - | - | (101) | (101) |
| Interest revenue | - | - | - | - | (1,960) | (1,960) |
| Loss before income tax expense | (20,597) | - | - | - | (474,788) | (403,220) |
| Income tax expense | | | | | | - |
| Loss after income tax expense | | | | | | (403,220) |

ARC Funds Limited
Notes to the financial statements
31 December 2025

Note 3. Revenue

| | Consolidated | |
|--|----------------------|------------------|
| | December 2025 | June 2025 |
| | \$ | \$ |
| <i>Revenue from contracts with customers</i> | | |
| Management fee | 33,346 | 41,937 |
| Trustee fee | 30,000 | 21,000 |
| Platform fee | 294,056 | - |
| Interest | 93,859 | 29,228 |
| | <u>451,261</u> | <u>92,165</u> |
| <i>Other revenue</i> | | |
| Gain on transaction | 109,078 | - |
| | <u>560,339</u> | <u>92,165</u> |

Note 4. Corporate and administration expense

| | Consolidated | |
|---------------------------------------|----------------------|----------------------|
| | December 2025 | December 2024 |
| | \$ | \$ |
| Insurance expenses | 28,794 | 24,455 |
| Legal expenses | 123,893 | 51,649 |
| Finance costs | - | 1,960 |
| Other expenses | 146,684 | 23,272 |
| Compliance expenses | 207,810 | 145,399 |
| Director and employee costs | 450,434 | 208,399 |
| Directors fees and costs, share based | 13,262 | 19,553 |
| Technology expenses | 17,802 | - |
| Share based payments | 161,827 | - |
| | <u>1,150,506</u> | <u>474,687</u> |

Note 5. Current assets - cash and cash equivalents

| | Consolidated | |
|--------------|----------------------|------------------|
| | December 2025 | June 2025 |
| | \$ | \$ |
| Cash at bank | <u>1,069,955</u> | <u>289,778</u> |

Note 6. Current assets - financial assets

| | Consolidated | |
|-------------------|----------------------|------------------|
| | December 2025 | June 2025 |
| | \$ | \$ |
| Convertible notes | 500,000 | - |
| Loans receivable | 320,155 | - |
| Term deposit | 6,745 | 420,346 |
| | <u>826,900</u> | <u>420,346</u> |

ARC Funds Limited
Notes to the financial statements
31 December 2025

Note 6. Current assets - financial assets (continued)

Convertible notes

On 5 November 2025, the Company acquired 2,150,000 convertible notes issued by Ausbiz TV Pty Ltd (face value \$1.00 per note; total face value \$2.15 million) for consideration of \$430,000. The consideration was satisfied through the issue of ARC ordinary shares.

The convertible notes were initially recognised at fair value on acquisition.

Subsequent to 31 December 2025, the Company entered into a binding Deed of Assignment dated 27 January 2026 for the sale of the 2,150,000 convertible notes for total cash consideration of \$500,000. The assignment will take effect on 23 March 2026.

In light of the binding sale agreement, the convertible notes were remeasured to fair value at 31 December 2025 based on the agreed sale price. As a result, a fair value gain of \$70,000 was recognised in profit or loss for the period.

Loans receivable

Loans receivable are measured at amortised cost.

Interest is charged at 10% per annum (15% per annum on default), payable quarterly in arrears.

Loans receivable are assessed at each reporting date for impairment.

Note 7. Non-current assets - investments accounted for using the equity method

| | Consolidated | |
|------------------------|----------------------|------------------|
| | December 2025 | June 2025 |
| | \$ | \$ |
| Ausbiz Capital Pty Ltd | <u>389,267</u> | <u>761,327</u> |

Reconciliation

Reconciliation of the carrying amounts at the beginning and end of the current and previous financial half-year are set out below:

| | | |
|-------------------------|------------------|----------------|
| Opening carrying amount | 761,327 | - |
| Loss after income tax | (67,781) | (73,673) |
| Additions | - | 835,000 |
| Impairment of assets | <u>(304,279)</u> | <u>-</u> |
| Closing carrying amount | <u>389,267</u> | <u>761,327</u> |

ARC Funds Limited
Notes to the financial statements
31 December 2025

Note 7. Non-current assets - investments accounted for using the equity method (continued)

Ausbiz Capital

On 7 October 2024, ARC made a strategic investment of \$670,000 in Ausbiz Capital, acquiring a 22.3% ownership interest.

On 7 February 2025, ARC invested a further \$165,000, increasing its ownership interest by 4.046% to a total of 26.35%. The total cost of the investment was \$835,000.

During the period ARC recognised an equity loss to the holding value of Ausbiz Capital to the value of \$67,781 (June 2025: \$73,673).

During the half-year ended 31 December 2025, the Company undertook a review of its investment in Ausbiz Capital following sustained operating losses.

The recoverable amount was determined using a value-in-use methodology based on discounted cash flow projections derived from management forecasts.

Key assumptions included:

- Five-year forecast period
- Terminal growth rate of 2%
- Discount rate of 16%
- Revenue growth driven by expansion in recurring funds under management-based income stream
- Operating costs increasing broadly in line with current run rate

As this amount was below the carrying value of \$693,546, an impairment loss of \$304,279 has been recognised in the half-year ended 31 December 2025. The carrying value of the investment at 31 December 2025 is \$389,267.

The Company retains the right to invest a further \$165,000 to increase its ownership interest to 30%.

Note 8. Current liabilities - borrowings

| | Consolidated | |
|------------------|----------------------|------------------|
| | December 2025 | June 2025 |
| | \$ | \$ |
| Short term loans | 842,000 | 800,000 |
| Interest payable | 428 | 13,274 |
| | 842,428 | 813,274 |
| | 842,428 | 813,274 |

Short term loan terms;

- 12% interest per annum
- paid quarterly in advance.

Note 9. Equity - issued capital

| Details | Date | Shares | Issue price | \$ |
|--|------------------|-------------------|--------------------|-------------------|
| <i>Movements in ordinary share capital</i> | | | | |
| Opening balance | 1 July 2025 | 51,452,174 | | 22,920,519 |
| Share issue | 11 July 2025 | 5,600,000 | \$0.100 | 560,000 |
| Share issue | 29 August 2025 | 740,000 | \$0.100 | 74,000 |
| Share issue | 22 October 2025 | 2,000,000 | \$0.100 | 200,000 |
| Share issue | 5 November 2025 | 4,467,404 | \$0.105 | 469,077 |
| Share issue | 18 December 2025 | 5,023,914 | \$0.115 | 577,750 |
| Balance | 31 December 2025 | 69,283,492 | | 24,801,346 |
| | | 69,283,492 | | 24,801,346 |

Note 9. Equity - issued capital (continued)

| | December 2025 Shares | June 2025 Shares | December 2025 \$ | June 2025 \$ |
|------------------------------|-------------------------------------|-----------------------------|---------------------------------|-------------------------|
| Ordinary shares - fully paid | 69,283,492 | 51,452,174 | 24,801,346 | 22,920,519 |
| Less share transaction costs | - | - | (489,636) | (475,893) |
| | <u>69,283,492</u> | <u>51,452,174</u> | <u>24,311,710</u> | <u>22,444,626</u> |

Terms and conditions of contributed equity:

Ordinary shares have the right to receive dividends as declared and in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

The voting rights attached to the ordinary shares at a general meeting of shareholders are such that on a show of hands every member present (in person or by proxy) shall have one vote and on a poll one vote for each share held.

Note 10. Equity - options reserves

| | Consolidated | |
|---|----------------------|------------------|
| | December 2025 | June 2025 |
| | \$ | \$ |
| Options reserve / share based payment reserve | <u>214,121</u> | <u>39,000</u> |

Performance Rights

During the period, the Company granted 1,000,000 performance rights to the Managing Director, Mr Scott Beeton, under the Company's Incentive Plan as part of his remuneration.

Each performance right entitles the holder to receive one fully paid ordinary share in the Company at nil exercise price, subject to vesting conditions.

The performance rights vest subject only to Mr Beeton remaining continuously employed as Managing Director at the relevant vesting dates. The performance rights vest in three tranches as follows:

- 500,000 performance rights on 30 June 2026
- 250,000 performance rights on 30 June 2027
- 250,000 performance rights on 30 June 2028

The performance rights were valued at grant date based on the Company's share price of \$0.11. The share-based payment expense is recognised on a straight-line basis over the vesting period for each tranche.

The total grant date fair value of the performance rights was \$110,000. The share-based payment expense recognised in respect of these performance rights for the half-year ended 31 December 2025 was \$13,262.

Options

During the period, the Company issued the following options, the Company issued options as part of a placement of ordinary shares.

The options were issued for nil consideration as free attaching securities and are equity-settled. Each option entitles the holder to subscribe for one fully paid ordinary share in ARC Funds Limited. The options were issued with no vesting conditions and, accordingly, the fair value of the options was recognised immediately on grant date.

ARC Funds Limited
Notes to the financial statements
31 December 2025

Note 10. Equity - options reserves (continued)

| Options issued | Number of options | Exercise price | Expiry Date |
|------------------|-------------------|----------------|----------------|
| 6 October 2025 | 5,600,000.00 | 0.125 | 9 July 2026 |
| 22 October 2025 | 200,000.00 | 0.125 | 9 July 2026 |
| 20 November 2025 | 740,000.00 | 0.125 | 24 August 2026 |
| | 6,540,000.00 | | |

Note 11. Controlled Entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|--|---|--------------------|----------------|
| | | December 2025 % | June 2025 % |
| Parent Entity: | | | |
| ARC Funds Limited | Australia | - | - |
| Controlled Entities of ARC Funds Limited: | | | |
| ARC Funds Operations Pty Ltd | Australia | 100.00% | 100.00% |
| Arc Investment Management Pty Ltd | Australia | 100.00% | 100.00% |
| Merewether Capital Management Pty Ltd | Australia | 72.00% | 72.00% |
| The Term Deposit Shop Pty Ltd | Australia | 63.49% | 63.49% |
| TTDS holdings Pty Lrd | Australia | 100.00% | 100.00% |

ARC Funds Limited (the 'parent entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime.

ARC Funds Limited
Directors' declaration
31 December 2025

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2025 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



James Jackson
Director

26 February 2026

ARC FUNDS LIMITED
ABN 52 001 746 710
AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ARC FUNDS LIMITED

Conclusion

We have reviewed the half-year financial report of ARC Funds Ltd (the company) and its controlled entities (the group), which comprises the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year then ended, a summary of material accounting policy information and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the group does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the group's financial position as at 31 December 2025 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134: *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial report, which indicates the group incurred a loss after tax of \$1,014,823 and had net operating cash outflows of \$613,573 for the half-year ended 31 December 2025. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

ADELAIDE
Level 9
50 Pirie Street
Adelaide SA 5000
T: +61 8 7093 8283

BRISBANE
Level 19
240 Queen Street
Brisbane QLD 4000
T: +61 7 2111 7000

DARWIN
Level 1
48-50 Smith Street
Darwin NT 0800
T: +61 8 8943 0645

MELBOURNE
Level 14
440 Collins Street
Melbourne VIC 3000
T: +61 3 9820 6400

PERTH
Level 11
77 St Georges Tce
Perth WA 6000
T: +61 8 6557 6200

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
T: +61 2 9263 2600

www.hallchadwick.com.au

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ARC FUNDS LIMITED
ABN 52 001 746 710
AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ARC FUNDS LIMITED

Auditor's Responsibility for the Review of the Financial Report

ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the group's financial position as at 31 December 2025 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND

Partner

Dated: 26 February 2026

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